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The Legal Reasons and Consequences of Dissolving a Company: A Comparative Analysis Between the Kingdom of Saudi Arabia and the United Kingdom

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Abstract

Companies are a vital part of the economy of a state because they fuel growth, drive employment, and contribute substantially to government revenues through taxation. Consequently, the proliferation and resilience of these entities serve as barometers for a nation's strength and stability. Conversely, their dissolution signals a loss of these advantages for societies and nations. When a company dissolves, the company ceases its operations and the company comes to the end of its legal existence. Accordingly, due to the significance of company dissolution on modern day economies, this article aims to explore the legal reasons and consequences of dissolving a company in two different legal systems. This article will explore company dissolution under English law - a historic and pivotal legal system – and under the law of Saudi Arabia – a legal system influenced by Islamic law.The goal of this study is to explore and analyse the law pertaining to company dissolution in order to understand the causes of dissolution and the impact following a company dissolving. This analysis has revealed that modern legal systems need to view company dissolution through a different lens; focusing on fostering business continuity wherever feasible. The legal approach adopted under both English law and the law of Saudi Arabia sets a low threshold in order to trigger the dissolution of a company. Importantly, as this article will demonstrate, setting a low threshold is economically undesirable for a state.

1. Introduction

Company dissolution involves the cessation of business operations by an established company. The process involves the resolution of ongoing matters, and ensuring that an established company concludes its legal existence in accordance with statute, regulation, and the company's articles of association.

Importantly, there are a number of important commercial reasons why a company might engage with the dissolution process. Firstly, a company can choose to voluntarily engage with the dissolution process (Keay, 2022). This is perhaps the most straightforward commercial reason because the shareholders of a company simply choose to close the business down, which necessarily involves engaging with the dissolution process. In following this process, it is necessary to obtain shareholder approval and file a number of dissolution documents with the appropriate government authorities (Goode, 2019). Secondly, a company can be forced to engage with the dissolution process through involuntary dissolution (Keay, McPherson & Keay's Law of Company Liquidation, 2021). A company can be forced to engage with the dissolution process if legal problems or other external factors causes a business continuity issue. For example, a business could be verging on bankruptcy, fail to pay its taxes, maintain the necessary licences or permissions, or be the recipient of a court order requiring the business to shut down (Keay, Dissolution and Restoration of Companies, 2022). In all of these circumstances, the business will involuntarily engage with the dissolution process. Thirdly, a company might be required to dissolve through the actions of administrative actors (Girvin, Hudson, & Frisby, 2015). If business breaches

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certain obligations, such as not filing an annual report, state regulators can require the company to be dissolved. Therefore, there are a number of different reasons why a company can choose to or be required to engage with the dissolution process. These reasons are important to understand as a suitable dissolution process must be able to respond to each of these commercial reasons to satisfy the interests of the parties involved with the dissolution process.

Accordingly, this article will explore the causes and legal implications of company dissolution through conducting a comparative analysis of the dissolution processes in the Kingdom of Saudi Arabia and the United Kingdom. First, this article will examine English law to understand the background to company law before analysing how English law provides for company dissolution. Second, this article will adopt the same approach to understanding the dissolution regime in Saudi Arabia. Through this analysis, points of comparison will be made between English law and the law of Saudi Arabia. Fundamentally, throughout all of this analysis, thought will be given to understand the extent to which the dissolution regimes of both the United Kingdom and Saudi Arabia respond to the commercial reasons as to why a company choose to or is required to engage with the dissolution process.

Background of English Law

After examining company dissolution generally, this article now will turn to examining the legal reasons and consequences of dissolving a company in English law. English law acknowledged the concept of a corporate entity as early as 1553. Historically, a company simply referred to a gathering of individuals for a shared purpose (Girvin, Hudson, & Frisby, 2015). Naturally, this meant that a 'company' was more broadly defined than it is considered today: it could encompass associations formed with or without profit motives and regardless of the method of formation. At this stage, the term 'company' was versatile and could refer to many different types of association.

However, in the 1700s, a legislative regime was implemented through the Royal Exchange and London Assurance Corporation Act 1719 that sought to govern the formation of and treatment of companies. However, this Act restricted the formation of companies unless approved by royal charter. It was not until the Act was repealed in 1825 that company law began to take shape. Soon after the Royal Exchange and London Assurance Corporation Act 1719 was repealed, a straightforward registration process was established under the Joint Stock Companies Act 1844, which allowed ordinary individuals to establish a company. However, the nature of these companies was different to how companies are treated under English law today. For example, it was not until the Limited Liability Act 1855 was brought into force that companies enjoyed limited liability and reshaped the landscape of corporate responsibility. The Limited Liability Act 1855 signalled the first of many legislative changes that ultimately cumulated with the promulgation of the Companies Act 2006, which is the modern legislative framework that governs company law in English law.

Under this modern framework, the term 'company' is more narrowly defined than it has been in the past. Under modern English law, a 'company' refers to an artificial persona and a corporate entity—something intangible, created and recognised by law. It possesses distinct legal autonomy, perpetual succession, and employs a common seal. Notably, it remains unaffected by the demise, mental incapacity, or insolvency of its individual members. Section 1 of the Companies Act 2006 specifically defines a "company" as an entity formed and duly registered under the Act. Moreover, Companies House delineates a company as "a legal entity with an identity separate from its owners or managers."

Dissolution of a Company

In terms of company dissolution, it is crucial to consider the landmark case of *Salomon v Salomon & Co Ltd.* (1896). This case stands as a cornerstone in any academic discussion centred around companies and

their dissolution due to the establishment of the principle of separate legal personality. The House of Lords decided that a company ought to be treated as a separate legal personality from the shareholders of the company. This case redefined legal precedent, shaping the landscape for corporate law and the delineation of responsibilities between companies and their stakeholders. This is key contextual information in considering company dissolution.

The law pertaining to the dissolution of a company holds extreme importance within company law as it marks the definitive termination of a business, effectively concluding the company's existence (Goode, 2019). When a company dissolves, it ceases to possess assets, liabilities, or any contractual rights and obligations arising from its employment contracts (*Re Norditrak (UK) Ltd*., [2000]). Additionally, the company's properties are deemed *bona vacantia* which means that the companies properties become ownerless (*Re Working Project Ltd*, [1995]).

Despite the extreme significance of this area of law, the dissolution of companies has received limited scholarly attention. Understanding the causes and repercussions of company dissolution is an important topic deserving comprehensive research. Therefore, the objective of this subsection is to delve into the causes leading to corporate dissolution within English law. Furthermore, it aims to propose alternative methods for dissolving companies, serving the purpose of reforming existing laws in this domain.

The causes leading to the dissolution of companies within English law are governed by multiple pieces of legislation. This presents a complex picture because it becomes necessary to search across various pieces of legislation to compile a comprehensive understanding of these causes.

Under English law, there are broadly three distinct legal causes of company dissolution. The first type of legal cause encompasses compulsory dissolution procedures (Lowry & Reisberg, 2012). This includes instances where dissolution becomes unavoidable, such as when a company merges or demerges (Sherman, 1998). In those circumstances, dissolution is the intended consequence of the transaction.

The second type of legal cause involves administrative causes of dissolution. This includes instances where dissolution arises because a company ceases trading or operation, becomes redundant, or faces challenges due to the retirement of active directors with no successors (Wild & Weinstein, 2011). These causes for dissolution are deemed reasonable by English law; acknowledging that a non-functioning or unnecessary company should dissolve. This approach is predicated on the assumption that it is preferable to dissolve a company when key directors depart, preventing potential losses or collapse.

The third type of legal cause pertains to economic causes, such as insolvency, which lead to company dissolution. Dissolution of an insolvent company can often be the most suitable option for all parties involved. Notably, solvency stands as a crucial condition for the success of dissolution through striking off because it is vital to settle all creditor obligations before considering striking off (McCormack, 2004). If any unresolved matters exist, liquidation becomes the alternative to achieve dissolution (Goode, 2019). Hence, striking off is contingent upon company solvency, avoiding the necessity of a liquidator due to the company's financial stability.

Indeed, these legal causes—whether compulsory, administrative, or economic—are tailored to their respective circumstances and serve as reasonable grounds for the dissolution of a company. Importantly, the dissolution of a company often revolves around commercial factors that make it necessary or desirable to dissolve the company (*Phillips v Royal Society for the Protection of Birds and Others* [2012]).

Each legal cause examined above aligns with specific situations or conditions that could face a business, thus providing a comprehensive framework within which a company's dissolution can be reasonably justified based on its unique circumstances. For example, there are substantial advantages that companies can gain through dissolution through striking off. In contrast to voluntary liquidations, the process for

striking off the company does not have time constraints and there are no penalties for clearing liabilities within a specified period (Groves & Bailey, 2017). Moreover, directors retain full control over all company assets until the striking-off occurs, which grants company directors more flexibility with their assets up until dissolution (Groves & Bailey, 2017). Lastly, striking off is a cost-effective process and lacks the stigma often associated with other insolvency procedures (Goode, 2019). The advantages described in this paragraph articulate the commercial reasons as to why company directors rely upon the dissolution process. Indeed, an appropriate dissolution regime must take into account the commercial practicalities of company dissolution to create an effective regime.

Furthermore, a successful dissolution regime must also be cognisant of how the regime fits into wider company law. For example, the company dissolution regime works harmoniously with the administration regime in English law. The administration procedure, though utilised in only a limited number of dissolutions, stands as one of the most effective means for insolvent or potentially insolvent companies to extend their lifeline. The administration procedure, whilst subject to the court's discretion, offers a potential window to maximize asset value and enhances the prospects of company rescue through restructuring (Moye, 2004). Permitting the court discretion on the operation of the dissolution regime and the administration procedures allows justice to be achieved in relation to the specific circumstances that a company finds itself in. Reducing the level of discretion that the court has over those procedures could result in injustices. Therefore, it is paramount that mechanisms are built into any dissolution regime to allow justice to be done on the facts. However, this discretion must be managed appropriately through the setting of clear standards and guidance that emanate from the legislature. Granting exceptionally broad discretion to the court could result in legislative intent being subverted, which has potential to detrimentally effect the operation of companies. Therefore, appropriate discretion needs to be incorporated into the dissolution regime which focuses on the fundamental issues of business viability on economic or managerial grounds rather than resolving administrative intricacies.

Therefore, English law has established a dissolution regime that broadly aligns to modern business practice. It is not perfect but the difficulties within the regime are understood by those engaging with the process and the risks presented by those uncertainties can be mitigated.

Background of law in the Kingdom of Saudi Arabia

After examining company dissolution under English law, this article turns now to examining the legal reasons and consequences of dissolving a company under the law of the Kingdom of Saudi Arabia. To understand the development of company law in the Kingdom of Saudi Arabia it is necessary to understand the historical landscape of the country. The period before the formal establishment of the Kingdom of Saudi Arabia by King Abdulaziz Al-Saud in 1932 marked a simpler economic landscape. Communities were smaller and relied heavily on natural resources for sustenance (Hamzah, 2023). Despite the absence of a codified and comprehensive commercial law governing trade activities, well-established trading customs served as the primary reference and guiding principles for companies and dissolutions during that time (Hamzah, 2023).

In the wake of political stability and the oil exploration boom, Saudi Arabia experienced a significant surge in business expansion across both large-scale enterprises and smaller ventures. This growth prompted the establishment of legislation, including legislation relating to company law. In 1930, the Regulations for the Commercial Court (RCC) was introduced, encompassing 633 articles and drawing its origins from the French legal system. However, in relation to company law, Saudi law differs significantly from French civil law because the legal system recognises corporate structures not present in French civil-law jurisdictions (Aljabr, 1996). This reflects the fact that Saudi legislators opted for legislative elements they deemed suitable for the Saudi commercial landscape and compatible with Sharia

law, which constitutes the foundational principles for all legal aspects within the system (Aljabr, 1996). This means that the legislators have adopted legal principles from other legal systems such as Egyptian law and Ottoman law (Hamd Allah, 2003). Consequently, company law within Saudi Arabia comprises legal principles from a diverse array of legal systems.

The law developed over the course of the next seventy years into today's regime which is underpinned by the Companies Law 2015. This legislation brought about significant changes, particularly regarding Limited Liability Partnerships (LLPs) and Joint Stock Companies (JSCs). This new law serves as the primary statute governing companies and partnerships, including their dissolution in Saudi Arabia. However, it's important to note that these areas are now regulated by multiple pieces of legislation, reflecting the complexity and depth of the legal framework surrounding companies and partnerships in the country.

This modern framework is a product of a proactive approach by the Saudi Arabian government. There was senior level recognition that there is a need for legislative development to recognise modern business practices in order to attract trade with the Kingdom of Saudi Arabia (Vogel, 2019). As such, the government has funded a number of scholarships aimed at sending students abroad to study this specific area of law (Vogel, 2019). The objective behind these grants is to fund research endeavours aimed at enhancing company law within the Kingdom of Saudi Arabia. This activity demonstrates the ambition of Saudi Arabia: striving to establish a world-class, efficient model for companies that not only adheres to Islamic law but also operates effectively within the framework of common law. This concerted effort demonstrates a commitment to creating a legal system that harmonises multiple legal traditions while striving for excellence in the functioning of business entities. However, these efforts have faced opposition from Islamic scholars who are concerned that the legal system has veered away from fundamental Islamic law principles (Hamzah, 2023). This theme will be assessed throughout the course of this analysis.

Meaning of Company

Before examining the dissolution regime in Saudi Arabia, it is necessary to understand a key difference relating to the definition of a company between English law and the law of Saudi Arabia. The Companies Law 2015 in Saudi Arabia employs the term '*sharikat*' (companies) to encompass both companies and partnerships, unlike English law that distinguishes between these entities explicitly (Berry, 2010). In Saudi law, business entities are categorised based on their formation. There are *sharikat al-ashkhas* which are 'companies of persons.' These types of entities are similar to partnerships under English law insofar as the company is characterised by the identities of the persons that are members of the company (El Sheikh, 2003). The contract of association holds significant importance in this type of *sharikat* as the entity and its partners are interdependent. There are also *sharikat al-amwal* which are 'companies of capital.' These types of entities are characterised based on the contributions of capital by its members (El Sheikh, 2003). Unlike *sharikat al-ashkhas*, this *sharikat* operates independently of its members. It is not governed by a contract and therefore remains unaffected by the status of its members or any changes therein (Bariry, 2001). This distinction not only shows the differing nature of commercial entities in Saudi Arabia, but it also shows how the law does not recognise those entities as entirely different and separate concepts. This is a major difference when compared to English law, which treats the concepts of a company and a partnership separately with different case law developing in relation to each concept (Banks, 2010) (Cf., *Handyside v Campbell* (1901) and *Re Primlaks (UK) Ltd.*, (1989)). This is important contextual information for this comparative study.

Within the law of Saudi Arabia, the term "*sharikat*" encompasses a broad spectrum, referring to companies and partnerships as well as a range of other types of corporate entity such as corporations and sole traders (Aljabr, 1996). Furthermore, whilst the term "*sharikat*" is derived from Islamic law, the development of company law within Saudi Arabia has veered from traditional conceptions of Islamic

law. This is exemplified through considering a one-member company. Within the Companies Law 2015 in Saudi Arabia, Article 55 acknowledges the existence of a one-member company. However, in Islamic law, the term "*sharikat*" denotes a *joint* relation between at least two individuals (Elkholy, 1973). This implies that under Islamic law a one-person company is not a valid corporate entity, and therefore the provisions of the Companies Law 2015 are not entirely consistent with Islamic law. Considering this issue more broadly, this example demonstrates the various origins of law that company law in Saudi Arabia must take into account in developing a dissolution regime that satisfies the needs of interested parties. In terms of one-member companies, there are interested parties in Saudi Arabia that would not consider those companies and therefore would not expect the Companies Law 2015 regime to apply. Under Islamic law, the term "*kaian*" is often used to describe a "one-member entity" in Arabic. However, this terminology is not used in the Companies Law 2015 and could lead to confusion if interested parties believe that joint participation is required in order to establish a valid company under the law of Saudi Arabia. This linguistic distinction highlights the need for precise and contextually suitable terminology within legal frameworks to accurately represent the nature and structure of business entities.

This means that the dissolution regime within Saudi Arabia must be versatile enough to deal with the dissolution of any of these types of entities, and content with potential inconsistencies between modern western regimes and Islamic law. In English law, this is not problematic because each type of company structure is treated separately, and this includes separate legislative regimes and a separate body of case law developing around each company structure. The following sub-section will analysis how the dissolution regime in Saudi Arabia contents with this broad definition of a company under Saudi Arabian law.

Dissolution

Under Saudi law, company dissolution is governed mainly by the Companies Law 2015, which delineates the dissolution causes across three key Articles: Article 16 encompasses the causes of dissolution for both companies and partnerships, while Articles 149-150 specifically address the causes of dissolution for companies within the Companies Law 2015. However, Saudi company law also contains a number of other legislative sources relating to company dissolution. These causes can be found scattered throughout other legal texts such as the Corporate Governance Regulations, the Consultative Assembly of Saudi Arabia, the Commercial Court Law 1970, the Settlement That Preventing from Bankruptcy Law 1996, and the Arbitration Law 2012. This reflects the dispersed nature of the law pertaining to company dissolution in Saudi Arabia, which is a structural weakness of the law as it is difficult to piece the provisions together to form a coherent understanding of the law.

However, the entire dissolution regime must be contextualised. There is an issue that the law is unclear as to whether properly established companies have a fixed or indefinite duration. Article 23 of the Companies Law 2015 requires partnerships or companies to have a specified fixed period. This poses a challenge when a company is established for a specific venture and this venture concludes before the predetermined fixed period expires. A dilemma arises regarding whether the entity should dissolve immediately after the completion of the venture or persist until the designated fixed period elapses. This has led to notable Islamic scholars questioning whether this rule is desirable and whether it is enforceable. Hanafiyya scholars have argued against the setting of a fixed term for two predominant reasons. First, it is often exceptionally difficult to define the length of time that a venture should exist for before it is dissolved (Hamzah, 2023). The longevity of a business venture is usually determined by the success of the business venture, which is only understood as time progresses and the business operates for a period. Second, it is also unclear what happens with the business entity's status following the successful completion of the business venture (Hamzah, 2023). Saudi law presupposes that the

venture ought to carry on until the end of the predefined time. This causes an issue from the perspective of a dissolution regime because Saudi legislatures fundamentally believe that a business venture should continue as per the terms of the original establishment event.

Furthermore, the fact that a company is established for a fixed term affects the dissolution regime. Specifically, under the law of Saudi Arabia, the 'early' dissolution of a company necessitates resolutions passed in an extraordinary general assembly of shareholders (Vogel, 2019). Notably, if a resolution involves extending the company's term, it typically requires a three-fourths majority vote among the shares represented at that meeting. This reveals two important points about the regime. First, the existence of this procedural requirement underscores a structured, transparent approach which is consistent with other contemporary legal frameworks. This is important in order to build confidence with companies that the operation of the law is predictable and it is economically viable to conduct business in the country. Second, the legal regime presupposes that a company ought not to dissolve until the fixed term expires. This is evident through the use of the language 'early' and through a high bar being set before a company can be dissolved before the expiration of the fixed term. To better correlate with modern business practice, as discussed above, it would be preferential to remove the requirement for a company to have a fixed term and instead rely upon the dissolution regime to determine the end point of a company.

Further, this not only presents a theoretical issue but it also presents a practical issue insofar as determining the point in time that a company should be considered to be dissolved. If one assumes that companies can only be created for a fixed period of time, this leads to the conclusion that the company dissolution regime will automatically take effect once this fixed point in time is passed. This seems illogical because the practicality of the situation is that a company will continue providing it satisfies its business objectives. It is only in exceptional cases that a company will be created for a predefined fixed time period. Therefore, it is unhelpful that one can interpret the Companies Law 2015 to read that all companies should exist only for a fixed period of time. Instead, clarity should be provided and it should be confirmed that a company exists indefinitely up until it is dissolved through one of the recognised causes of dissolution. By eliminating the requirement for a company to exist only for a fixed duration, shareholders could establish companies tailored exclusively for their venture without the constraint of a predetermined period. This would mitigate against the risk of uncertainty following the successful completion of a business venture before the term of the company expires.

Another issue with the company dissolution regime is the fact that the Companies Law 2015 is unclear on the consequences that result from dissolution. Article 203 of the Companies Law 2015 implies that dissolution automatically triggers liquidation. This presents an issue because company dissolution should not lead to liquidation in the case of mergers (or demergers). In the event that a company merges, the parties intend the company's assets to transfer to the newly merged company and the parties do *not* intend that the assets be liquidated. As this article has examined above, this issue is not present in English law because English law recognises that a company can dissolve as a result of a merger (or demerger) and English law does not assume that liquidation is the natural consequence of dissolution. Reforming this article is crucial to avoid confusion and ensure alignment between the legal dissolution regime and economic and business practicalities. Addressing both of these drafting weaknesses in the Companies Law 2015 would enhance clarity, align legal provisions with practical scenarios, and ensure a smoother legal framework for companies and partnerships operating in Saudi Arabia.

However, it is not as simple as aligning company law in Saudi Arabia to English law (or another western legal system). This is because of the historical and religious roots that exist in Saudi Arabia. Whilst company law in the United Kingdom is predicated on a capitalist philosophy which favours business interests, company law in Saudi Arabia must be cognisant (at least to a degree) of Islamic law (Bariry, 2001). This is driven by political reasons and the fact that the majority of the population of Saudi Arabia

are Muslim and respect traditional notions of Islam. Accordingly, legislators in Saudi Arabia must be conscious of Islamic law in drafting legislation.

However, there are examples where company law in Saudi Arabia differs from Islamic law. This is exemplified through examining the treatment of personal creditors in companies. Under the Companies Law 2015, a personal creditor of a shareholder in a company cannot directly reclaim their debt from the debtor's share in the company. However, the personal creditor might have access to the debtor's share in the profits upon obtaining a court order. This aligns with Saudi law's recognition of companies as distinct legal entities, preventing direct action against these entities for personal debts. This aligns to the position in English law and affects the law pertaining company dissolution because personal debts are not factored into an assessment of the solvency of a company. This approach, however, differs with classical Islamic law which prioritises the settlement of matured personal debts (Bariry, 2001). Under Islamic law, a personal creditor can pursue recovery of the debt through targeting the assets owned by an individual, whether within a company or not (El Sheikh, 2003). The fundamental distinction lies in how these legal systems perceive the concept of separate legal entities, which directly effects the causes which trigger company dissolution.

Another notable difference between Saudi law and classical Islamic law pertains to the conditions leading to the dissolution of a company based on capital loss. Under Saudi law, if a company loses half of its capital, this may serve as grounds for dissolution. However, the position under classical Islamic law differs because a complete loss of a company's capital is necessary to trigger company dissolution (Bariry, 2001). In the classical Islamic legal framework, a partial loss of capital alone would not automatically trigger dissolution unless the shareholders unanimously agree to dissolve the company despite the capital loss. This distinction highlights a substantial difference in the threshold for capital loss leading to dissolution between Saudi law and classical Islamic law.

One means to mitigate the injustice that might occur from the strict application of legal principles embodied in statute and regulation is through the use of judicial discretion. Indeed, under the Companies Law 2015, the judiciary is granted a degree of discretion in deciding whether a company ought to be dissolved. This is a slightly different approach to what has been adopted under English law where legislation does not explicitly define the degree of discretion the court has in implementing the company dissolution regime. The approach adopted by Saudi Arabia is a preferential approach because it better respects the separation of powers between the legislature and judiciary, and reduces the likelihood of legislative intent being subverted through imaginative judicial interpretation. Importantly, however, the approach adopted by Saudi Arabia is not infallible and it presents its own challenges. A key issue under the Saudi Arabian regime is that the religious and political leanings of the judiciary can influence the exercise of discretion to a greater extent than under other legal systems. Based on demographic information, the judiciary in Saudi Arabia tends to be comprised of people of a similar age, religious beliefs, and political affiliation (Hamzah, 2023). This means that the exercise of discretion does not necessary correlate to the spirit of the law but reflects a more traditional perspective based on fundamental Islamic principles. This is exemplified through the court tending to prioritise the continuity of companies and partnerships unless shareholders and partners mutually agree to dissolve the company (Hamd Allah, 2003). This approach does not correlate to the modern company law framework aims to duplicate common law approaches from successful western jurisdictions. Instead, it reflects the fundamental notion one should not terminate a business venture unilaterally as one should fulfil the promises and commitments made to others. These learnings and perspectives can influence the exercise of discretion in relation to company dissolution, and this is seen more in the Saudi Arabian judiciary when compared to the courts of the United Kingdom. Therefore, to mitigate against the risk that judicial interpretation can subvert legislative intent, it would be useful to develop clear and specific standards to

guide the judiciary's decision-making process. Establishing specific criteria or guidelines within the legislation could effectively steer the court in exercising their discretionary powers. These standards would serve as benchmarks, ensuring that court decisions regarding dissolution align with legal principles and precedents, fostering consistency and fairness in their application across different cases.

Therefore, it is clear that the dissolution regime within Saudi Arabia has borrowed a number of key aspects from English law, which is a positive because it aligns to modern business practice. However, in a number of key regards, the dissolution regime has deviated from the approach in English law to correlate with Islamic law. From a historical and political standpoint, it is clear why legislatures developed the law in this way but from a business perspective it introduces greater risk into conducting business in Saudi Arabia.

Conclusion

Consequently, this comparative study has aimed to understand the causes and implications of company dissolution from both a UK and Saudi Arabian legal perspective. It's apparent that both Saudi and English laws recognise similar legal causes that can lead to company dissolution. Within English law, the dissolution regime is predominantly found under the Companies Act 2006 and the Insolvency Act 1986. Within the law of Saudi Arabia, these causes of dissolution are outlined largely at Articles 16 and 150 of the Companies Law 2015, however there are other causes of dissolution scattered across a number of other regulations and statutes. Together, there are a number of similar causes of dissolution such as insolvency, merger, dissolution by shareholder agreement, term expiration, termination or impossibility of an adventure, share transfer to a single individual, capital loss of half the company, and dissolution by court order.

However, the causes of dissolution are not identical between the legal systems. There are certain causes of company dissolution present in English law that are absent in Saudi law. For instance, considerations such as demerger and cessation of trading or operation are notably absent in Saudi law but hold significance in English law. The lack of these provisions is a weakness in Saudi company law and in the drafting of the Companies Law 2015. Specifically, the Companies Law 2015 does not acknowledge demerger as a factor leading to the dissolution of companies, despite the fact that demerger, in technical terms, results in dissolution. These causes of dissolution could and should be integrated into the dissolution regime under the law of Saudi Arabia. This is because both dissolution triggers correlate to common business practice and company law ought to facilitate and foster common business practice as it contributes to the state's economic prosperity. Without the same provisions, international companies could be hesitant to conduct business within Saudi Arabia if markedly different consequences emanate from common business practice.

Conversely, Saudi law includes a number of causes of dissolution that are not contained within English law. For instance, under the dissolution regime in Saudi Arabia, a company can or will dissolve upon the expiration of a fixed term, if the purpose (or venture) of the company is terminated or becomes impossible, and if the company loses half of its capital. These causes of dissolution can be traced back to Islamic law and represent a fundamentally different view of what a company is when compared to Western conceptions of a company.

These dissolution triggers view a company as being set up for a specific purpose or for a fixed period, which is different to how English law views a company as a corporate entity which exists until it is dissolved. The English view is the view adopted by international commerce because it best aligns to the realities of establishing and running a business. At the outset, it is difficult to forecast the length of time that a company will exist for because one cannot predict with any accuracy the success that a company will enjoy. Equally, a key part of running a business is being adaptable to market forces and this may lead to a business pivoting away from its originally intended purpose and pursuing another market

entirely. These adaptable business practices are commonplace in international commerce and Company law within Saudi Arabia ought to reflect these business practices in creating a dissolution regime. Furthermore, the body of law that developed around a company that has a single venture is unsatisfactory. The Companies Law 2015 fails to provide clarity when a company achieves a single venture *before* the fixed period of time expires. The legislation does not explicitly address whether the company should dissolve immediately or continue until the specified period concludes. This issue necessitates comprehensive reform. The root of this problem lies in the requirement within Saudi law that mandates companies to exist for a fixed period. This inflexibility risks premature termination of ventures. To address this, the legal framework should allow shareholders to establish a company for an indefinite period up until the company is validly dissolved. This approach aligns to the approach in English law, which is satisfactory.

Consequently, whilst it is clear that the dissolution regime in Saudi Arabia has developed to subsume best practice from English law, there are a number of notable deviations which demonstrate the influence of Islamic law on the legal system. These deviations cause concern because they represent not only a departure from English law, but a departure from recognised business practice. In order to attract prolonged international investment into Saudi Arabia, it is important that the law facilitates customary business practice in order to make doing business in Saudi Arabia as easy as possible.

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